

NARRATIVE  
BUDGET REPORT -  
OTHER GENERAL,  
SPECIAL, UTILITY  
ENTERPRISE AND  
RESERVES



# POLICY ISSUES

Council feedback sought on the following:

- Recommended utility rate changes
- Estimated carryover balance and recommended allocations
- Budget Contingency Reserve
  - Shoreline Golf Links transition funding
  - State Budget-elimination of RDA's

# OTHER GENERAL FUNDS



# GF - BUILDING SERVICES HIGHLIGHTS

## Current Fiscal Year

- Revenues estimated to exceed budget by \$404,000
- Revenues at the same level as prior year (FY09-10)

## Fiscal Year 2011-12 Projections and Recommendations:

- Increased development activity anticipated
- Recommended reallocation of a portion of one Code Enforcement Officer position and City Attorney time to Building Services



# GENERAL FUND - BUILDING SERVICES

	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$ 3,598	3,193	3,597	4,067
Expenditures	<u>(2,948)</u>	<u>(3,379)</u>	<u>(3,081)</u>	<u>(3,561)</u>
Operating Balance	650	(186)	516	506
Retirees' Health UAAL	(388)	-0-	-0-	-0-
Capital Projects	<u>(50)</u>	<u>(200)</u>	<u>(200)</u>	<u>(482)</u>
Excess (Deficiency)	212	(386)	316	24
Beginning Balance	<u>5,242</u>	<u>5,454</u>	<u>5,454</u>	<u>5,770</u>
Ending Balance	\$ 5,454	5,068	5,770	5,794

(amounts in thousands)



# GF - SHORELINE GOLF LINKS HIGHLIGHTS

## Current Fiscal Year

- Estimated operating balance deficit of \$731,000
- Recession, unemployment, rainy weather, and competing golf courses have attributed to decline in activity.
- RFP issued for a management agreement. Return to Council in summer with RFP results and an alternate City model.

## Fiscal Year 2011-12 Projections and Recommendations:

- \$500,000 in funding from the Budget Contingency Reserve to transition to a new operating model.
- Status Quo operating balance deficit of \$1.1M



# GENERAL FUND - SHORELINE GOLF LINKS

	2009-10	2010-11	2010-11	2011-12
	<u>Audited</u>	<u>Adopted</u>	<u>Estimated</u>	<u>Status Quo</u>
Revenues	\$ 2,935	3,206	2,636	2,943
Expenditures	<u>(3,587)</u>	<u>(4,018)</u>	<u>(3,367)</u>	<u>(4,098)</u>
Excess (Deficiency)	(652)	(812)	(731)	(1,155)
Beginning Balance	<u>1,391</u>	<u>739</u>	<u>739</u>	<u>8</u>
Ending Balance	\$ 739	(73)	8	(1,147)

(amounts in thousands)



# FY2011-12 SHORELINE GOLF LINKS MONTHLY DRAWDOWN

<u>Month</u>	<u>Estimated Revenue</u>	<u>Estimated Expenditure</u>	<u>Difference/ Draw</u>	<u>Available Balance</u>
July	\$ 322,000	340,000	(18,000)	(10,000)
August	329,000	343,000	(14,000)	(24,000)
September	260,000	340,000	(80,000)	(104,000)
October	219,000	335,000	(116,000)	(220,000)
November	222,000	336,000	(114,000)	(334,000)
December	169,000	347,000	(178,000)	(512,000)



# SPECIAL FUNDS



# REVITALIZATION AUTHORITY HIGHLIGHTS


## Current Fiscal Year

- Council extended life of Authority to April 2013
- Governor's proposal to eliminate redevelopment
- Council approved funding agreement to continue redevelopment agencies' efforts
- SERAF payment FY10-11 \$345,000 (FY09-10 \$1.7M)
- The fund is in good financial condition

## Fiscal Year 2011-12 Projections and Recommendations

- Property taxes declining due to projected commercial property reassessments and unsecured AV losses
- Transition funding of \$538,000 in the event that redevelopment agencies are eliminated

# REVITALIZATION AUTHORITY FUND



	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$ 5,258	5,020	4,690	4,623
Expenditures	<u>(3,234)</u>	<u>(4,052)</u>	<u>(3,657)</u>	<u>(3,467)</u>
Operating Balance	2,024	968	1,033	1,156
SERAF	(1,670)	(345)	(345)	-0-
Retirees' Health UAAL	(39)	-0-	-0-	-0-
Capital Projects	<u>(50)</u>	<u>225</u>	<u>(6,093)</u>	<u>(8)</u>
Excess (Deficiency)	265	848	(5,405)	1,148
Beginning Balance	6,517	6,782	6,782	1,377
Bond Proceeds	<u>(136)</u>	<u>(154)</u>	<u>(161)</u>	<u>(172)</u>
Ending Balance	\$ 6,646	7,476	1,216	2,353

(amounts in thousands)



# REVITALIZATION HOUSING SET-ASIDE HIGHLIGHTS

## Current Fiscal Year

- Council approved use of \$10.6M in Housing Set-Aside funds for Downtown Family Development Project

## Fiscal Year 2011-12 Projections and Recommendations

- No recommendations



# REVITALIZATION HOUSING SET-ASIDE FUND

	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$ 1,441	1,300	1,218	1,131
Expenditures	<u>(726)</u>	<u>(3,157)</u>	<u>(3,043)</u>	<u>(731)</u>
Operating Balance	715	(1,857)	(1,825)	400
Retirees' Health UAAL	<u>(5)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Excess (Deficiency)	710	(1,857)	(1,825)	400
Beginning Balance	<u>10,526</u>	<u>11,236</u>	<u>11,236</u>	<u>9,411</u>
Ending Balance	\$ 11,236	9,379	9,411	9,811

(amounts in thousands)

The graphic features a dark blue background with a stylized landscape. On the left, there is a green tree and a yellow sun. In the center, there are purple mountains. The title "SHORELINE REGIONAL PARK COMMUNITY HIGHLIGHTS" is written in white, serif, all-caps font across the top.

# SHORELINE REGIONAL PARK COMMUNITY HIGHLIGHTS

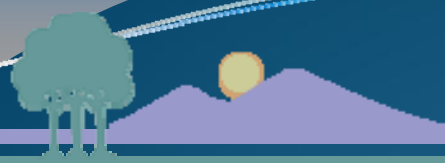
## Current Fiscal Year

- Property taxes below budget - greater AV decline than anticipated
- Council approved amended JPA for short-term enhanced annual contributions to schools over 3 fiscal years (\$13.6M total)

## Fiscal Year 2011-12 Projections and Recommendations:

- Property taxes declining due to projected commercial AV losses
- Capital Improvement Projects \$ 1.5M
- Proposed tax allocation bonds to be issued
- Numerous studies to evaluate the long term obligations and liabilities of the Community

# SHORELINE REGIONAL PARK COMMUNITY FUND



	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$32,011	28,905	27,058	25,509
Expenditures	(18,774)	(18,678)	(21,651)	(25,396)
Operating Balance	13,237	10,227	5,407	113
Capital Project Refunds	8,100	-0-	-0-	-0-
Contribution to Water Fund	(8,100)	-0-	-0-	-0-
Retirees' Health UAAL	(574)	-0-	-0-	(42)
Capital Projects	(3,365)	(796)	(671)	(1,484)
Excess (Deficiency)	9,298	9,431	4,736	(1,413)
Beginning Balance	13,870	23,168	23,168	27,904
Strat Inv/Prop Acquis Res	-0-	(10,000)	(10,000)	(10,000)
Ending Balance	\$23,168	22,599	17,904	16,491

(amounts in thousands)

# UTILITY ENTERPRISE FUNDS





# PROP 218 PROCESS

- Water and wastewater rate recommendations within guidelines - no Prop 218 hearing required
- Prop 218 hearing required for refuse rate recommendation
- Rate notices mailed April 29, 2011



# WATER FUND HIGHLIGHTS

## Current Fiscal Year

- Adopted 5% rate increase
- Revenues lower - water sales lower
- Expenditures below budget - lower water purchases, salary savings

## Fiscal Year 2011-12 Projections and Recommendations

- 23.0 percent rate increase recommended
  - 47.4 percent SFPUC wholesale water cost increase
  - 7.9 percent (treated water) and 9.4 percent (well water) from SCVWD
- Future projected SFPUC rates of 5.7, 14.2, 16.9 and 8.4 percent
- Rate study recommended \$50,000
- Capital Improvement Projects \$1.9M
  - Phase in increase for Water Master Plan



# WATER FUND

(amounts in thousands)

	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$20,517	21,107	20,281	25,351
Expenditures	(18,557)	(19,209)	(17,846)	(22,901)
Base Level CIPs	<u>(1,754)</u>	<u>(1,533)</u>	<u>(1,533)</u>	<u>(1,778)</u>
Operating Balance	206	365	902	672
Capital Contrib/Loan	16,539	-0-	-0-	-0-
Recycled Water Project	(16,552)	-0-	-0-	-0-
Retirees' Health UAAL	(1,216)	-0-	-0-	-0-
Additional CIPs	<u>(1,666)</u>	<u>(1)</u>	<u>(141)</u>	<u>(92)</u>
Excess (Deficiency)	(2,689)	364	761	580
Beginning Balance	10,334	7,645	7,645	8,406
Reserves	<u>(6,165)</u>	<u>(6,177)</u>	<u>(6,177)</u>	<u>(7,095)</u>
Ending Balance	\$1,480	1,832	2,229	1,891 <sub>19</sub>



# WASTEWATER FUND HIGHLIGHTS

## Current Fiscal Year

- No rate change
- Revenues essentially as budgeted
- Expenditures below budget - salary savings, \$2.2M treatment cost credit from FY09-10

## Fiscal Year 2011-12 Projections and Recommendations

- 5.0 percent rate decrease recommended
  - 2 years of credits from PARWQCP (total \$4.2M)
  - Alternative to leave rates at current level
- Rate Study recommended \$50,000
- Capital Improvement Projects \$1.7M



# WASTEWATER FUND

(amounts in thousands)

	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
Revenues	\$ 14,939	14,851	14,600	13,858
Expenditures	(9,843)	(12,880)	(10,040)	(13,196)
Base Level CIPs	<u>(1,597)</u>	<u>(1,633)</u>	<u>(1,633)</u>	<u>(1,585)</u>
Operating Balance	3,499	338	2,927	(923)
Retirees' Health UAAL	(180)	-0-	-0-	-0-
Additional CIPs	<u>(68)</u>	<u>59</u>	<u>(221)</u>	<u>(96)</u>
Excess (Deficiency)	3,251	397	2,706	(1,019)
Beginning Balance	9,186	12,437	12,437	15,143
Reserves	<u>(5,984)</u>	<u>(6,043)</u>	<u>(6,043)</u>	<u>(5,947)</u>
Ending Balance	\$ 6,453	6,791	9,100	8,177



# SOLID WASTE MANAGEMENT FUND HIGHLIGHTS


## Current Fiscal Year

- 8.0% adopted rate increase
- Revenues below budget - refuse service charges lower
- Expenditures lower - salary savings and SMaRT Station costs

## Fiscal Year 2011-12 Projections and Recommendations

- 6.0 percent rate increase recommended
  - Recology adjustment 3.46 percent
  - SMaRT Station increase 2.3 percent
- Rate Study recommended
- Capital Improvement Projects \$246,000

# SOLID WASTE MANAGEMENT FUND (amounts in thousands)




	2009-10 <u>Audited</u>	2010-11 <u>Adopted</u>	2010-11 <u>Estimated</u>	2011-12 <u>Recom'd</u>
City Revenues	\$9,388	10,042	9,854	10,560
Recology Revenues	<u>10,431</u>	<u>11,081</u>	<u>10,950</u>	<u>11,465</u>
Total Revenues	19,819	21,123	20,804	22,025
City Expenditures	9,941	10,221	9,606	10,361
Recology Payments	<u>10,431</u>	<u>11,081</u>	<u>10,950</u>	<u>11,465</u>
Total Expenditures	<u>20,372</u>	<u>21,302</u>	<u>20,556</u>	<u>21,826</u>
Operating Balance	(553)	(179)	248	199
Retirees' Health UAAL	(53)	-0-	-0-	-0-
Capital Projects	<u>(493)</u>	<u>(423)</u>	<u>(488)</u>	<u>(246)</u>
Excess (Deficiency)	(1,099)	(602)	(240)	(47)
Beginning Balance	5,244	4,145	4,145	3,905
Reserves	<u>(2,551)</u>	<u>(2,589)</u>	<u>(2,589)</u>	<u>(2,609)</u>
Ending Balance	\$1,594	954	1,316	1,249



# SUMMARY OF RECOMMENDED UTILITY RATE INCREASES

- Water – Recommended 23.0 percent rate increase
  - \$7.91/month increase for 250 gal/day
- Wastewater – Recommended 5.0 percent rate decrease
  - \$1.21 residential monthly decrease
- Solid Waste – Recommended 6.0 percent rate increase
  - \$1.15/month increase for one 32-gallon can





# UTILITY RATE COMPARISON SINGLE FAMILY RESIDENTIAL

	<u>Water</u> <sup>(2)</sup>	<u>Sewer</u>	<u>Trash</u> <sup>(3)</sup>
<u>Mountain View</u> <sup>(1)</sup>			
Current	\$34.41	\$24.20	\$18.95
Recommended	42.32	22.99	20.10
Recommended Change	23.0%	-5.0%	6.1%
<u>Palo Alto</u>			
Current	49.52	24.65	32.86 <sup>(4)</sup>
Proposed	55.92 <sup>(5)</sup>	27.91	32.86
Proposed Increase	12.9%	13.2%	0.0%
<u>Sunnyvale</u>			
Current	31.03	29.23	28.70
Proposed	35.14 <sup>(6)</sup>	30.84	30.42
Proposed Increase	13.2%	5.5%	6.0%
<u>Milpitas</u>			
Current	40.11	35.47	27.05 <sup>(7)</sup>
Proposed	43.47	37.96	27.05
Proposed Increase	8.4%	7.0%	0.0%

(1) Cal Water – Current rate \$42.49

(3) Based on one 32 gallon container

(5) Includes rate and tier structure changes and doubling meter charge from \$5 to \$10/mo

(6) Increase not the same across tiers; 18% on 1<sup>st</sup> tier and meter.

(7) Trash rate in effect until 1/1/12

(2) Based on 250 gallons per day

(4) Trash rate in effect until 10/1/11

# RESERVES FUNDS



# UNCOMMITTED SPECIFIC PURPOSE RESERVES

	<u>Est Bal</u> <u>6/30/11</u>	<u>Recom'd</u> <u>Allocation</u>	<u>Est. Bal</u> <u>7/1/11</u>	<u>Policy</u> <u>Bal</u>
GF Reserve:	\$ 22,645	1,070	23,715	23,715
Budget Contingency:	5,564	-0-	5,564	5,564
Capital Improvement:	5,000	-0-	5,000	5,000
Open Space Acquisition:	1,822	-0-	1,822	1,822
Strategic Prop Acquis:	12,379	-0-	12,379	12,379

(amounts in thousands)



# LIABILITY RESERVES

	Est. Bal <u>6/30/11</u>	Recom'd <u>Allocation</u>	Est. Bal <u>7/1/11</u>	Policy <u>Bal</u>
GF Property Mgmt:	\$ 1,600	-0-	1,600	1,600
Graham Site Maint:	1,110	-0-	1,110	1,110
Child Care Ctr Financing:	1,520	-0-	1,520	1,561
Compensated Absences:	9,420	-0-	9,420	8,572 <sup>(1)</sup>
GF PERS Liability:	605	-0-	605	605
Equipment Replacement:	15,025	-0-	15,025	16,158
Workers' Compensation	4,555	-0-	4,555	4,443 <sup>(2)</sup>
Unemployment	110	-0-	110	110
Liability Self-Insurance:	3,640	-0-	3,640	3,639 <sup>(2)</sup>
Retirees' Health Trust <sup>(3)</sup> :	57,190	-0-	57,190	82,749 <sup>(2)</sup>

<sup>(1)</sup> As of June 30, 2010    <sup>(2)</sup> Actuarial Liability managed by CalPERS

<sup>(3)</sup> Reserve is now held in the California Employers Retirement Benefit Trust (CERBT)

(amounts in thousands)



# CARRYOVER BALANCE

Total Estimated Available for Allocation	\$1,704 <sup>(1)</sup>
Recommended Annual Allocations:	
General Fund Reserve	(1,070) <sup>(2)</sup>
Limited-Period Exp. FY11-12	(634)

<sup>(1)</sup> Includes prior fiscal year carryover balance of \$266,000 plus \$1.4M estimated FY10-11 operating balance

<sup>(2)</sup> To be determined once expenditure reductions are included in the proposed budget

(amounts in thousands)



# BUDGET CONTINGENCY RESERVE

Est. Balance at 6/30/11	\$5,564
Potential Allocations:	
Transition funding for potential GOF eliminated positions	TBD <sup>(1)</sup>
Shoreline Golf Links transition funding	(500)
Revitalization funding if RDA's eliminated	<u>(538)</u>
Estimated Remaining Reserve Balance	\$4,526

<sup>(1)</sup> To be determined if position reductions are included in the proposed budget

(amounts in thousands)



# POLICY ISSUES

Council feedback sought on the following:

- Recommended utility rate changes
- Estimated carryover balance and recommended allocations
- Budget Contingency Reserve
  - Shoreline Golf Links transition funding
  - State Budget-elimination of RDA's



# NEXT STEPS

- May 10 – Adoptions of Goals
- May 24 – Adoption of Capital Improvement Program
- June 7 – First public hearing of proposed budget
- June 14 – Prop 218 hearing and anticipated budget adoption